

A Construction
Company's Guide To
**Managing Workers'
Compensation Claims**



Introduction

The complexity of insurance, safety, and risk management in the construction industry has put an increased focus on claims costs. Today, the cost of insurance and claims payments can have a substantial impact on profitability for a construction company.

In this guide we will share an overview of how high-performing construction companies manage employee injuries and workers' compensation costs.



A Construction Company's Guide to Managing Workers' Compensation Claims

4	CHAPTER 1 Types of Claims And Insurance Coverages
5	CHAPTER 2 Employee Injuries & Workers' Compensation Claims
6	CHAPTER 3 How To Respond To An Employee Injury
7	CHAPTER 4 OSHA Reporting Requirements
8	CHAPTER 5 Return To Work Programs
11	CHAPTER 6 Effective Claims Management Processes
12	CHAPTER 7 Understanding the Experience MOD
15	CHAPTER 8 The High-Performer Workshop

Types of Claims and Insurance Coverages

Construction companies face many risks within their operations. The importance of a strong culture is paramount in order to operate as safely and effectively as possible. When an incident does occur, though, it's important to also be proactive with respect to the claims management process.

Construction industry claims generally fall into one of two main buckets:

Workers' Compensation:

Work-related employee injuries or illnesses that occur while on the job are generally considered workers' compensation claims. Workers' compensation insurance requirements vary by state, but coverage is mandatory in most states for most employers.

The Occupational Safety and Health Administration (OSHA), a division of the Department of Labor, monitors employee injuries and may require employers to report injuries (more on this later).

Other Injuries & Claims:

Other than employee job-related injuries, there are many other types of insurance claims that a construction company could face.

Although we won't be covering these types of claims in this document, it is important to ensure you have proper insurance coverage for such claims as well. Some examples of other claims could include auto liability risk, property risk, general liability, cyber risk, directors & officers, and environmental risk (just to name a few).

The focus of these document will be on employee injuries and workers' compensation. Let's dive in.

Employee Injuries & Workers' Compensation Claims

Every year, 1 in 100 construction workers gets injured severely enough to need time off work.

When an employee becomes injured or ill while working, workers' compensation insurance typically covers the employee's medical expenses and lost wages. Employers pay for workers' compensation insurance; employees do not contribute to the cost.

Workers' compensation benefits may include the following as related to the claim:

Medical expenses: All reasonable and necessary medical costs

Lost wages: Temporary disability benefits that replace two-thirds of an employee's wage up to a maximum rate

Permanent disability: Benefits for employees who don't fully recover from their injury

Job retraining: Job retraining or placement services

Death benefits: Death benefits and burial expenses up to certain limits

The Occupational Safety and Health Administration (OSHA), a division of the Department of Labor, monitors employee injuries and may require employers to report injuries (more on this later).

How To Respond To An Employee Injury

The impact of a workers' compensation program can depend on prompt and effective responses to injuries, comprehensive investigations, and clear communication, which can help organizations significantly improve recovery outcomes and drive a culture of safety.

Respond to injuries in a timely manner

The first moments after an injury are important and can help determine the outcome of the claim and the employee's recovery. Establish procedures to report injuries immediately to help ensure swift action and proper documentation, which can lead to better claim outcomes and reduced costs. The employer should have a process defining the medical care employees must receive before they can return to work. This proactive method supports informed decision-making and can help reduce the injury's impact on their work life.

Create a comprehensive claims investigation

A thorough investigation post-injury is important for understanding the incident and helping to prevent future occurrences. Start by documenting employee details such as their name, date of birth, social security number, and wages to ensure accurate record-keeping and compliance with regulations. Additionally, record specific details about the injury, including how, where, and why it occurred to provide a clear picture of the circumstances surrounding the incident. Conducting a prior medical history check can reveal relevant past injuries, allowing for a more informed approach to the current claim.

Communicate effectively

Clear and ongoing communication can help ensure that injured employees understand their rights and the processes involved in workers' compensation claims. Provide information to employees about the workers' compensation processes, including how claims are filed and what to expect during recovery. Inform employees about how to obtain medical treatment and the specifics of Return-to-Work (RTW) policies to help with their reintegration into the workplace. Maintain regular contact through get-well cards, phone calls, and weekly check-ins to help demonstrate the organization's support and commitment to the employee's recovery.

OSHA Reporting Requirements for Employee Injuries

Employers that are required to comply with Occupational Safety and Health Administration (OSHA) requirements must report all work-related injuries that meet the following criteria:

Fatalities:

Must be reported within 8 hours

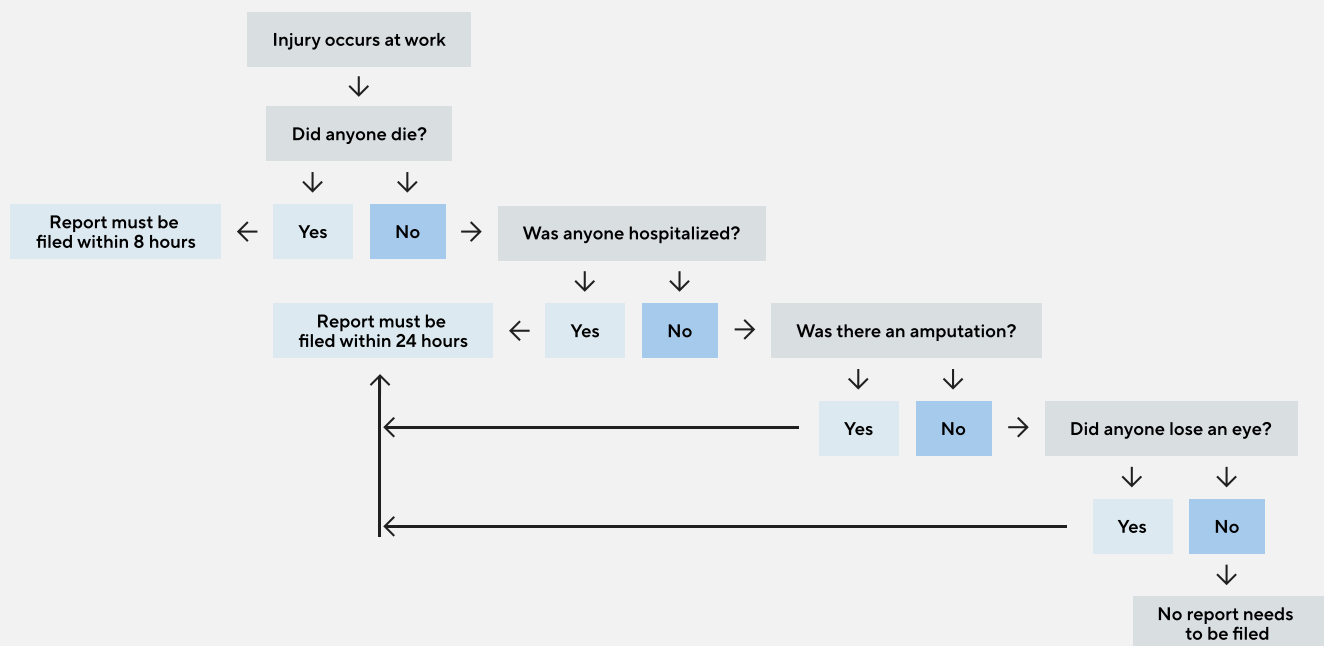
Hospitalizations, amputations, or loss of an eye:

Must be reported within 24 hours

These reporting requirements apply to all employers, even those who are exempt from routinely keeping OSHA injury and illness records.*

When does an injury need to be reported to OSHA?

It is important to understand which claims need to be reported to OSHA and which do not. The diagram below can help you determine whether injury reporting is required.



*Establishments with 250 or more employees, or 20 or more employees in a high hazard industry, must also submit a Form 300A summary of work-related injuries and illnesses online by March 2 of the year after the calendar year covered by the forms. If the due date passes, establishments can still submit the data through the Injury Tracking Application (ITA) until December 31.

Return To Work Programs

An effective Return-to-Work (RTW) program helps injured employees transition back to work quickly, reducing time off and lowering workers' compensation costs. By offering temporary duties that match their abilities, the program may help improve recovery. Always ensure that your RTW program complies with applicable law.

Key Components To Help Create an Effective Return To Work Program

Assign temporary transitional duties:

The RTW program should offer temporary, transitional work assignments that allow employees to contribute while recovering from their injuries. These tasks should not extend a defined term, helping to ensure the employee progresses in their recovery and either returns to their original duties or continues treatment if necessary.

Assign tasks similar to the employee's original role:

Whenever possible, transitional duties should closely resemble the employee's original job responsibilities. This helps ease the transition back to full capacity, prevents skills from deteriorating, and boosts employee morale by allowing them to stay engaged with familiar tasks during recovery.

The ROI of RTW

One of the most significant benefits of RTW programs is the substantial reduction in Workers' Compensation costs. When injured employees take on modified duties, they often shorten the duration of their disability claims by returning to their work more quickly. By getting employees back to work sooner, even in a modified capacity, companies can significantly help reduce the indemnity payments (wage replacement costs) that are a major component of workers' compensation claims.

On the next page we'll cover the financial benefits of a RTW program.

Return To Work Programs

Return on Investment

Implementing a Return to Work (RTW) program can provide significant return on investment (ROI) for companies, especially in terms of reducing workers' compensation costs. Here's a detailed breakdown of how an RTW program can deliver ROI:

Reduction in Workers' Compensation Costs

Lower Indemnity Costs:

By getting employees back to work sooner, even in a modified capacity, companies can significantly help reduce the indemnity payments (wage replacement costs) that are a major component of workers' compensation claims.

Reduced Medical Costs:

An effective RTW program often leads to quicker recoveries, which can lower medical expenses associated with prolonged treatment.

Reduced Experience MOD:

Reducing indemnity payments, in particular, can have an outsized impact on your company's experience MOD.

Improved Productivity

Retention of Skilled Workers:

Keeping injured employees engaged in the workplace, even in a limited role, helps retain their skills and knowledge, which otherwise may be lost if they were out of work for extended periods.

Reduced Turnover:

By demonstrating a commitment to employee well-being, companies can improve morale and help reduce turnover, potentially leading to savings in hiring and training costs.

Faster Recovery and Reintegration:

Employees may be able to recover faster when they feel valued and engaged. An RTW program helps them maintain a sense of purpose and connection with their workplace.

Return To Work Programs

Return on Investment (Continued)

Positive Impact on Work Comp MOD

Lower Claims Frequency and Severity:

A successful RTW program can help reduce the frequency and severity of claims, which in turn can lower the Work Comp MOD factor. This directly impacts the premium costs, as will be discussed starting on page 12.

In summary, the ROI of a Return to Work program can be substantial, not just in direct financial savings but also in terms of overall business health and employee satisfaction.



Effective Claims Management Practices

Effectively managing critical aspects of workers' compensation claims helps to minimize costs and ensure positive outcomes for employees. By focusing on access to quality medical care, handling catastrophic claims with care, and using nurse case management (NCM) strategically, organizations can help demonstrate their commitment to employee well-being while enhancing the efficiency of their claims processes.

Provide access to quality medical care

Ensure employees receive timely and quality medical care following an injury by offering transportation to medical facilities when needed. Additionally, identify top doctors by seeking recommendations and analyzing treatment outcomes to help find the best fit for your employees. Even when direct medical care cannot be mandated, suggesting qualified providers can help guide employees toward appropriate care.

Carefully handle catastrophic claims

Navigating catastrophic claims can require a high level of precision and empathy. Show support by visiting the injured employee in the hospital, conducting a thorough investigation to gather all relevant facts, and engaging the employee's family in the decision-making process to foster trust and collaboration during a difficult time.

Use nurse case management (NCM) wisely

Nurse case management can help improve claim outcomes but should be reserved for specific situations to maximize its effectiveness. Consider utilizing NCM when dealing with lost time claims, instances where employees struggle to adhere to medical appointments or treatment plans, cases requiring surgery, or situations with complex recovery issues, such as coexisting health conditions like diabetes or hypertension.

A well-executed workers' compensation management program can help address the immediate needs of injured employees and can contribute to the overall health and sustainability of the organization. Through strategic planning, effective communication, and ongoing support, organizations can create an environment that values employee well-being while minimizing costs and claim frequency.

Understanding the Experience Modification Rating (MOD)

Workers' Compensation Experience Modification Rate, commonly known as Work Comp MOD, is a factor used by insurers to adjust workers' compensation premiums based on the claim history of a business. Essentially, it reflects the company's safety record and claims history.

Here's how the Experience MOD factor typically works:

Comparison of Losses:

The MOD is calculated by comparing the company's actual losses to its expected losses. Expected losses are determined based on the company's industry and size.

The Impact on Your Premiums:

1. If a company has fewer and less severe claims than expected, it will have a lower MOD, generally resulting in lower premiums.
2. Conversely, if a company has more frequent or severe claims, it will have a higher MOD, generally leading to higher premiums.

In essence, a Work Comp MOD is a measure of risk. A lower MOD indicates a safer work environment and potentially lower insurance costs, while a higher MOD suggests higher risk and costs.

The Workers' Compensation Experience Modification Rate directly impacts insurance costs by adjusting the premium a business pays for its workers' compensation insurance. Here's a detailed look at how this works:

Premium Calculation:

1. **Base Premium:**

This is calculated based on the payroll and the industry classification of the business. Each classification has a specific rate per \$100 of payroll.

2. **Experience Modification Factor (MOD):**

This factor adjusts the base premium based on the company's claims experience.

What does your MOD score represent?

1. Lower MOD (<1.0):

If a company has fewer or less severe claims than what is expected for its industry and size, the MOD will be less than 1.0. This results in a credit to the base premium, lowering the overall insurance cost.

2. Higher MOD (>1.0):

If a company has more frequent or severe claims, the MOD will be greater than 1.0. This leads to a debit to the base premium, increasing the insurance cost.

An example of how to calculate work comp premiums based on your MOD factor.

1. Example Calculation:

Below Average MOD

1. **Base Premium:** \$100,000
2. **MOD Factor:** 0.80 (indicating a safer record than average)
3. **Adjusted Premium:** \$100,000 x 0.80 = \$80,000

2. Example Calculation:

Above Average MOD

1. **Base Premium:** \$100,000
2. **MOD Factor:** 1.25 (indicating a riskier record than average)
3. **Adjusted Premium:** \$100,000 x 1.25 = \$125,000

Which Matters More – Indemnity or Medical Claims?

The experience MOD calculation only includes 30% of the actual primary and excess portions of an individual medical-only claim. As a result, medical-only claims are reduced by 70% whereas indemnity payments go into the calculation almost directly.

Because of this difference, reducing days away from work (indemnity costs) is a critical component of a low Experience MOD rating. Return To Work Programs, as an example, can help shorten leave times and limit indemnity costs.

Below is an example of how to calculate workers' comp premiums based on your MOD factor.

**1. Example Calculation
(MOD Less Than 1.00):**

- 1. Base Premium:** \$100,000
- 2. MOD Factor:** 0.80 (indicating a safer record than average)
- 3. Adjusted Premium:** \$100,000 x 0.80 = \$80,000

**2. Example Calculation
(MOD Greater Than 1.00):**

- 1. Base Premium:** \$100,000
- 2. MOD Factor:** 1.25 (indicating a riskier record than average)
- 3. Adjusted Premium:** \$100,000 x 1.25 = \$125,000

Strategic Implications:

Safety Improvements

Companies can help reduce their MOD by implementing effective safety programs, reducing claims, and maintaining a safer workplace.

Cost Management

Lower MODs not only help reduce insurance costs but can also be a selling point when negotiating contracts or attracting clients, as they reflect a commitment to employee safety and risk management.

The High-Performer Workshop



As you learned in the previous chapters, claims costs can have a large impact on profitability if left unmanaged. High-performing construction companies can outperform their peers by building strong safety culture and claims management practices.

The DE-RISKING Construction workshop is a 90-minute session with your leadership team to identify any hidden risks in your business.

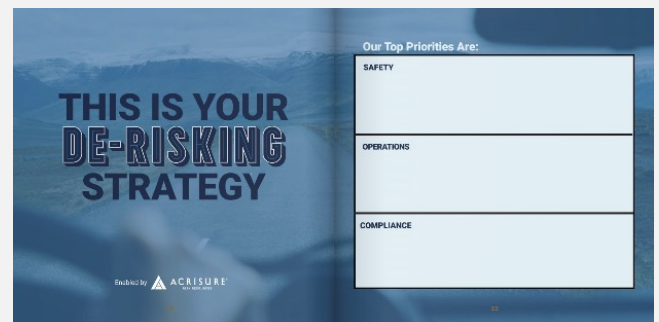
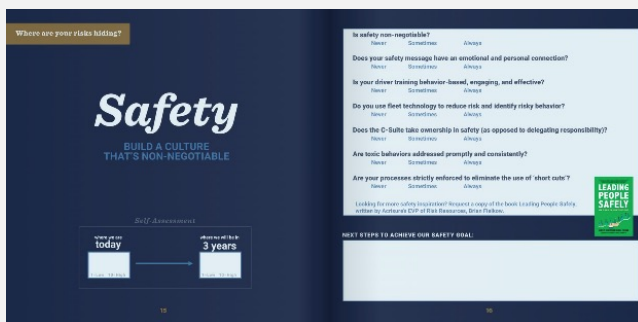
During the workshop, your team can:

Compare Your Company to Other High-Performers

What are the secrets of high-performing construction companies that help them achieve lower insurance costs and higher profitability? We studied them to find out and are sharing best practices with you.

Build Your DE-RISKING Strategy

Using a self-assessment to identify opportunities and priorities, we'll start building a gameplan to help address the hidden risks that exist in your company.



Contact your Acrisure representative to schedule a complimentary workshop.



RISK RESOURCES

Important Notice: The products and services identified and described herein may not be available in all jurisdictions. The descriptions contained above (a) are not intended to be complete or exhaustive of all applicable terms, conditions, and exclusions of the policies described, (b) are not intended to be complete or exhaustive of all applicable terms and conditions the services described, and (c) are provided solely for general informational purposes. The information, descriptions and statements contained herein do not amend, modify or supplement any insurance policy, product or service described. Always refer to the actual insurance policy for the full and complete terms, conditions, exclusions, and other coverage details of the policies described, and refer to the actual terms and conditions applicable to each of the products or services described. Eligibility for the insurance policies identified or described herein is subject to the determination of underwriting qualifications and acceptance by the insurance company offering or providing such policies. No representations are made with respect to whether coverage exists for any particular claim or loss, or type of claim or loss, under any policy. Whether there is coverage for any claim or loss under any particular policy depends on the facts and circumstances relevant to such claim or loss, as well as the terms, conditions, exclusions, and other coverage details of the applicable policy. To the extent there is a conflict or discrepancy between any information contained herein and the terms, conditions, exclusions, or coverage details of any policy, the applicable policy shall control and govern in all cases.

The information and descriptions with respect to products and services contained herein should not be viewed as a substitute for any legal or other professional advice on any particular issue, for any particular reason, or on any particular subject matter. The advice of a professional should always be obtained before purchasing any insurance product or service, and the information provided herein should not be relied upon for the prevention or mitigation of risks or as a full and complete explanation of coverage under any insurance policy or as a full and complete explanation of terms and conditions of any services offered. While the information contained herein has been compiled from sources reasonably believed to be reliable, no warranty, guarantee, or representation, either expressed or implied, is made as to the correctness or sufficiency of any representation contained herein.